

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JUNE 22, 2005

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Steven Slovensky, Legal Counsel; Evie Taft, Human Resources Administrator; Thomas Chagnon, Assistant Director of Information Technology; George Tsiopras, Chief Financial Officer; Sergeant Lisa Soiett. **Guests:** Al Picconi, United Beverages, Inc.; Michael Gocłowski, Law Warehouses.

EXCUSED: Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

Total sales for the week ending June 19, 2005 increased for the week by almost 6.6% or \$495,158, and also increased for the year by 6.45% or \$23,128,511.

B. Budget/Administrative Reports:

The Commission has six contracts and one acceptance for sweepstakes awards on the Governor and Council agenda today.

John Bunnell and Craig met with one of the manufacturer's representatives who provided additional information and will provide a breakout of financial information regarding the Concord warehouse project. Craig hopes by next week to receive several other reports.

There will be an OIT SITP workshop at 2:00 p.m. today at the Brown Building. At the same time, an IT services consolidation meeting is being held at PUC. Craig will attend the consolidation meeting and will try to arrange for the OIT staff to provide him with information on the SITP workshop in the event John Bunnell is unable to attend.

Referring to the latest Expense Budget Activity Variance report, there are now only about 1 ½ weeks left in FY05. Utilities are still being watched closely. Salaries and Benefits adjustments have been made, and it appears that all other categories will be covered.

2. IT Report

The Liquor Store POS Equipment Support Contract will go before Governor and Council today as a late item.

The 56k FRAD data circuit was installed in the new Keene location by Verizon yesterday.

The IP Renumbering of Store #1 Concord was completed yesterday, but not without problems. IT has experienced problems with both of the frame relay routers in the store and in the computer room. Other connectivity problems have forced IT to rethink how this process will occur in changing the remaining stores moving forward.

3. Human Resources Report – No report given.

II. MARKETING & SALES REPORTS

1. Store Operations

Commissioner Russell has visited the new Keene location over the past several days and has experienced watching the process of getting a store ready to open. She said it is a gorgeous store, and she is anxious for everyone to see it. Invitations have been sent out for the grand opening on June 28, and the Commissioner invited everybody to attend.

John Bunnell reported that the new Center Harbor store is doing very well. Last week it produced about \$43,000, which is outstanding for a store its size.

2. Purchasing Report – No report given.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Whyte and MacKay Blended Scotch Whiskey):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Whyte and MacKay for a new test market listing for Whyte and MacKay Blended Scotch Whiskey, 750ML size (assigned new Code #2768), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell,

Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Vincent Van Gogh Espresso Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Dirkzwager Distilleries for a new test market listing for Vincent Van Gogh Espresso Vodka, 750ML size (assigned new Code #239), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Margaritaville Lime, Mango, Coconut & Tangerine Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./David Sherman for new test market listings for Margaritaville Lime (assigned Code #3750), Margaritaville Mango (assigned Code #3751), Margaritaville Coconut (assigned Code #3752) and Margaritaville Tangerine tequilas, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 44 Degrees North Huckleberry Vodka:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Icon Brands for a new test market listing for 44 Degrees North Huckleberry Vodka, 750ML size (assigned new Code #197), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Result (Code #2627 and #4399):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty listings to Code #2627, Glenmorangie 12-Year Old Burgundy Wood, 750ML size and Code #4399, Pierre Ferrand Reserve Cognac, 750ML size, as each product achieved their respective gross profits required for specialty item consideration at the conclusion of a six-month test market period,

to be carried in liquor specialty stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Purchase of Discontinued Product:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be tabled pending receipt of further information from the broker. The motion was unanimously adopted.

3) One Time Buy Requests:

a. Tezon Tequila:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from United Beverages, Inc./Pernod Ricard for the Commission to make a one-time purchase of 78 cases of Tezon Tequila, 750ML size (26 cases of Anejo, 14 cases of Reposado, and 38 cases of Blanco), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Level Vodka:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from United Beverages, Inc./Future Brands LLC for the Commission to make a one-time purchase of 50 cases of Level Vodka, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Starbucks Coffee:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Future Brands LLC for the Commission to make a one-time purchase of 150 cases of Starbucks Coffee Liqueur, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) August Special Offers – 140 items – Horizon Beverages:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred forty (140) spirit items, to be featured on sale during August 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Crown Royal NASCAR Race Car:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America to display the Crown Royal NASCAR race car at 4 selected stores (#15 Keene, #34 Salem, #76 Hampton and #38 Portsmouth) on designated dates and at designated times during the week of the NASCAR race in New Hampshire, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Tabled Items:

a. August Special Offer – 1 item M.S. Walker (tabled from 6/15/05, Item A-3-b):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission remove from the table and approve a revised special offer from M.S. Walker, Inc., based upon depletions for one (1) spirit item, to be featured on sale during August 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for August 2005:

a. 30 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for thirty (30) wine items, to be featured on sale during August 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 9 items – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions/special purchase allowances for nine (9) wine items, to be featured on sale during August 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 4 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions/special purchase allowances for four (4) wine items, to be featured on sale during August 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Cluster 5 Shelf Sets:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store wine sets, based on new rules, for all Cluster 5 stores, including store layout, authorization list, list of new items and list of delisted codes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Closeouts:

- a. 214 items – Martignetti Companies of NH:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out pricing for 214 wines represented by Martignetti Companies of N.H. which were delisted before 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 7 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out pricing for 7 delisted wines represented by R.P. Imports which were never placed on sale,

as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended for Allocation:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

5) Recommended Allocated Wines for Distribution to Selected Stores (38 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be tabled until further consultation with Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

6) Primary Source Submissions (14 – exclusive agent; 20 – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve fourteen (14) wine codes which are offered by the exclusive marketing agent and twenty (20) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist. The motion was unanimously adopted.

7) Tabled Items:

- a. Purchase & Display Terrazas & Casa Lapostelle (tabled from 6/15/05, Item B-4): Item remained on the table.

III. ENFORCEMENT & LICENSING REPORT – No report given.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 16 through June 22, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

Michael Goclowski distributed statistical information concerning movement of product at Law Warehouse during the month of May 2005.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford